

Bendigo and Adelaide Bank

Business Description

Bendigo and Adelaide Bank Limited (BEN, formerly Bendigo Bank) was formed in November 2007 as the result of a merger of Bendigo Bank and Adelaide Bank. The principal activities of BEN are the provision of a range of banking and other financial services, including retail banking, mortgage distribution through third-parties, business lending, margin lending and a range of other activities.

Strategy Analysis

Retail banking is built on the existing Bendigo franchises, focusing on the Community Banking network in population centres, which larger banks have neglected. Wholesale mortgages and other innovative lending inherited through Adelaide Bank will continue being pushed through direct and indirect distribution channels. Despite current equity market weakness, margin lending remains a key medium term growth initiative, combined with leveraging wealth management cross-selling opportunities. Acquisitions will likely focus on wealth management areas, with organic growth and merger acquisitions targeting the traditional retail banking business. Bendigo and Adelaide Bank reported NPAT up 41% to \$342.1m for the year ended 30 June 2011. Revenues from ordinary activities were \$1.24bn, up 8.9% from last year. Diluted EPS was 86.4 cents compared to 62.9 cents last year. Net operating cash flow was \$488.2m compared to \$348.0m last year. The final dividend declared was 30 cents, taking the full year dividend to 60 cents compared with 58 cents last year. The Company reported results shows that support is being returned to the bank, and augurs well for the Company's earnings outlook and availability of funding in a market that the Company expects to remain volatile.

27 January 2012

Recommendation

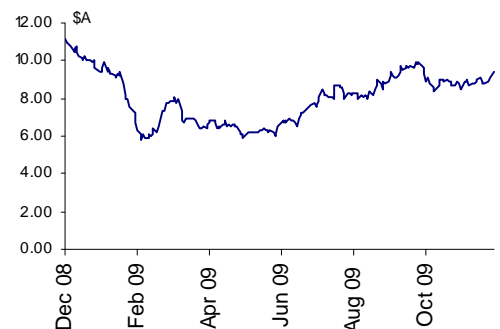
Recommendation: BLANK
Relative to: All Ind (ex Fins)

Investment Fundamentals

ASX code: BEN
Stock price: \$8.23
Market cap: \$3,211m

	Y/E 30/06/2012	2012e	2013e	2014e	2015e
Reported e	\$m	234.9	374.6	430.1	478.9
Adjusted e	\$m	340.3	385.0	440.5	489.3
EPS adjusted	¢	90.0	98.6	111.5	121.9
EPS growth	%	-0.7	9.6	13.0	9.4
PE	x	9.1	8.3	7.4	6.8
PE relative	x	0.8	0.8	0.8	0.7
DPS	¢	61.0	63.0	68.0	74.0
Yield	%	7.4	7.7	8.3	9.0
Franking	%	100.0	100.0	100.0	100.0

Share Price



Source: ASX and Company accounts

Segment Performance

Results by Industry	Revenue (%)	Return on Sales (%)	Return on Assets (%)	Annual Shareholders' Return	
				1 year	3 year
Retail Banking	57.0	1.6	54.6	-10.0%	
Third Party Banking	21.0	1.1	69.2	0.2%	
Wealth	11.9	2.9	66.4	-3.0%	
Rural Bank	10.1	1.3	40.9	5.0%	
Total	100.0	6.9	231.1		
Results by Geography				Dividend Reinvestment Plan	Yes
Australia	100.0	100.0	100.0	Shareholder Discounts	Yes
Total	100.0				

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